

VZCZCXRO1265
RR RUEHBZ RUEH DU RUEHJO RUEHMR RUEHRN
DE RUEHSB #0596/01 2010659
ZNR UUUUU ZZH
R 200659Z JUL 09
FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC 4728
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 2345
RUEHAR/AMEMBASSY ACCRA 2951
RUEHDS/AMEMBASSY ADDIS ABABA 3068
RUEHRL/AMEMBASSY BERLIN 1497
RUEHBY/AMEMBASSY CANBERRA 2331
RUEHDK/AMEMBASSY DAKAR 2698
RUEHKM/AMEMBASSY KAMPALA 3116
RUEHNR/AMEMBASSY NAIROBI 5559
RHEHAAA/NSC WASHDC
RHMFISS/EUCOM POLAD VAIHINGEN GE
RUEHGV/USMISSION GENEVA 2246
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
RHEFDIA/DIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 000596

AF/S FOR B. WALCH
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR
STATE PASS TO USAID FOR L.DOBBS AND J. HARMON
COMMERCE FOR ROBERT TELCHIN

SIPDIS

E.O.12958: N/A
TAGS: [PGOV](#) [PREL](#) [ASEC](#) [PHUM](#) [ECON](#) [ZI](#)

SUBJECT: ZIM NOTES 07-17-2009

1. SUMMARY

Topics of the week:

- Constitutional Process Stumbles On...
- MDC-T MP Suspended from Parliament...
- ZANU-PF Ministers Implicated in Poaching Scandal...
- Finance Minister Discusses Chiadzwa in Fiscal Assessment...
- Top Security Chiefs Sued Over Abductions...
- Budget Raised in Mid-Term Review...
- Biti Unveils Measures to Increase Production...
- Concessions Made to Strengthen Banking Sector...
- Government to Sell Portion of Air Zimbabwe...
- Indian Firm Invests in Ginnery and Oil Refinery...

On the Political/Social Front

12. Constitutional Process Stumbles On... The two-day All Stakeholder's Conference concluded successfully on July 14 after getting off to a rocky start the day before when riot police were called in to assert control following a disturbance caused by ZANU-PF youth groups and orchestrated by President Mugabe's nephew and ZANU-PF MP Patrick Zhuwao, Youth Minister Saviour Kasukuwere, and war veteran leader Joseph Chinotimba. MDC activist Patrick Danga was arrested by the police while restraining Zhuwao and is still detained at Harare Central police station. Despite the chaotic events, the constitutional process remains on track. The Conference may have been salvaged by a warning issued by Prime Minister Tsvangirai to President Mugabe that the MDC would consider pulling out of the inclusive government if ZANU-PF sabotaged the path towards a new Constitution. See Harare 588.

13. MDC-T MP Suspended from Parliament... Zimbabwe's Parliament has suspended an MDC-T legislator from the House of Assembly after he received a 10-month prison sentence for allegedly obstructing justice. Mathias Matewu Mlambo from Chipinge West was issued a

letter by the long-tenured and ZANU-PF-aligned Clerk of Parliament, Austin Zvoma, informing him not to attend Parliament nor execute any of his official duties. Under Zimbabwean law sitting MPs do not lose their functional authorities upon conviction if their case is on appeal; however, by not providing the Clerk with proof of his appeal, Mlambo opened the door to his suspension. The Speaker of Parliament is confident his office can overrule the suspension. Mlambo is one of three MDC-T MPs who are appealing convictions the party believes are trumped-up and politically motivated. See Harare 1585.

14. ZANU-PF Ministers Implicated in Poaching Scandal... Defense Minister Emmerson Mnangagwa and Minister of Media and Information Webster Shamu were implicated in a poaching operation by a Chinese national who was caught with six rhino horns at a police roadblock. Press reports indicated that the two government ministers run their poaching operations from HKK Safaris, a conservancy Shamu co-owns with South African businessman, Charles Davy. MDC efforts to inquire into the case revealed that the police superintendent who was in charge of the investigation had been transferred from his Qwas in charge of the investigation had been transferred from his posting at Bulawayo Central police station to a rural outpost in Mashonaland Central province.

15. Finance Minister Discusses Chiadzwa in Fiscal Assessment... Minister of Finance, Tendai Biti (MDC-T) briefly touched on the topic of Chiadzwa diamonds while addressing the mining sector in his fiscal address to Parliament on July 17. Biti said that the government would comply with all of the recent Kimberley Process Certification Scheme (KPCS) recommendations to avoid suspension. He also share that Mines Minister Obert Mpofu had sent the KP a letter

HARARE 00000596 002 OF 003

confirming their commitment to compliance. Foremost among the KPCS recommendations was the elimination of military control over the area.

16. Top Security Chiefs Sued Over Abductions... Zimbabwean political activists and a journalist abducted last year by State agents are suing two Cabinet ministers and a handful of security chiefs in Zimbabwe's High Court for a combined US\$19.2 million in damages. The lawsuit charges that they were unlawfully abducted, detained and deprived of their liberty. The 15 plaintiffs are demanding US\$1.2 million each. The suit seeks compensation from the co-Ministers of Home Affairs, Kembo Mohadi and Giles Mutsekwa, Justice Minister Patrick Chinamasa, then Security Minister Didymus Mutasa, Police Commissioner-General Augustine Chihuri, Prisons Commissioner Paradzai Zimondi, and Central Intelligence Organization Director-General Happyton Bonyongwe.

On the Economic and Business Front

17. Budget Raised in Mid-Term Review... Finance Minister Tendai Biti, revised upwards the 2009 Budget from US\$1 billion to US\$1.361 billion primarily due to an expected increase in unconfirmed donor support. He announced that the majority of these funds will go towards raising civil servant salaries. Consequently, later this month civil servants will begin receiving salaries in lieu of the US\$100 monthly allowances they began getting in March. While expected to be higher than the allowances, average salary figures were not announced. The Zimbabwe Independent newspaper, estimated that the average salary might only amount to US\$140 per month. The GOZ also expects to be able to trim payroll numbers by carrying out an audit intended to eliminate "ghost workers".

18. Biti Unveils Measures to Increase Production... In a move designed to increase capacity utilization, Biti suspended import duties on capital goods and pure raw materials and cut those on intermediate goods from 15 to 10 percent. He also removed import duties on fuel, replacing it with an excise duty of US20 cents and US16 cents per liter for petrol and diesel. He alluded to additional tax changes that will be announced in the 2010 Budget Statement due at the end of November 2009.

¶9. Concessions Made to Strengthen Banking Sector... In an effort to improve market liquidity, Biti scrapped the five percent tax on bank profits and promised to review a possible cut of the current 10 percent bank reserve requirement. He also proposed to de-monetize the Zimbabwe dollar by purchasing all balances held with the financial sector at an estimated cost of US\$6 million. This will effectively put an end to the use of the Zimbabwe dollar as money, or in Biti's words, "putting a tombstone on the grave of the Zimbabwe dollar."

¶10. Government to Sell Portion of Air Zimbabwe... The Financial Gazette (July 16, 2009) reports that the GOZ is planning to sell 60 percent of the national airline for an estimated US\$750 million to Qpercent of the national airline for an estimated US\$750 million to an un-named private operator. If the deal goes through, the money will be used to replenish Air Zimbabwe's depleted fleet. (Comment: The loss-making airline does not have the assets to justify even a fraction of this purported valuation.)

¶11. Indian Firm Invests in Ginnery and Oil Refinery... An Indian firm has invested US\$4 million into a ginnery and oil refinery factory in Glendale, 40 km north of Harare. According to the managing director, the firm will operate at 50 percent capacity and will manufacture 500,000 liters of cooking oil by year end. The ginnery plant is already operational at a rate of 60 tons of lint a day.

HARARE 00000596 003 OF 003

Quote of the Week

¶12. "We are doing what we did in June, winning." "We are doing away with the Prime Minister." "Zimbabwe is liberated with blood." - Slogans chanted by ZANU-PF youth and war veterans during the chaos of the first day of the All-Stakeholder's Conference on July 13.

DHANANI